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Quarterly Report 3

TO STOCKHOLDERS OF R. J. REYNOLDS INDUSTRIES, INC. THIRD QUARTER, 1976

Three executive vice presidents, two directors named

Two new members have been elected to the Board of Directors of R.J. Reynolds Industries, Inc., and three executive vice presidents have been named.

The newly elected directors are Albert L. Butler Jr., a Winston-Salem-based businessman, and J. Tylee Wilson, Chairman and Chief Executive Officer of R.J. Reynolds Tobacco International, Inc. Wilson was one of the three men elected executive vice president. The other two newly elected executive vice presidents are Michael R. McEvoy and J.B. Sunderland. McEvoy is Chairman and Chief Executive Officer of Sea-Land Service, Inc.; Sunderland is President and Chief Executive Officer of Aminoil International, Inc.

As executive vice presidents, Wilson will oversee RJR's international consumer businesses, McEvoy will be responsible for transportation and Sunderland will head energy operations. James R. Peterson, who earlier this year was elected executive vice president and a director of Reynolds Industries, will continue to oversee the Company's domestic tobacco, foods and metals and packaging businesses.

A. L. Butler Jr.

J. T. Wilson

M. R. McEvoy

J. B. Sunderland

The newly elected executive vice presidents will retain the responsibilities they now hold as chief executive officers of the subsidiaries until successors can be named.

"The four executive vice presidents will join Paul Sticht and myself to form a newly created management committee of our parent company," Colin Stokes, Chairman, explained.

"They will serve as a sort of cabinet to Paul and me and will review, evaluate and make recommendations on a wide variety of subjects that will be primarily corporatewide in their significance.

"These men will bring to the committee their expertise in the various businesses our Company is in and by exchanging and sharing their views will enable us to make decisions based on a comprehensive and timely review of our corporatewide resources and needs."

RJR brief asks for FTC documents

In a brief filed in U.S. District Court in New York, R.J. Reynolds Tobacco Company has labeled as "politically motivated" the pending civil penalty actions by the Federal Trade Commission and Justice Department against the company. The brief also accused the FTC of attempting to "rewrite history."

The government suit, filed in October 1975, charges R.J. Reynolds and the other five major tobacco companies with violating a 1972 consent order on health warnings in cigarette advertising and promotional materials.

R.J. Reynolds has asked the court to compel the FTC to produce documents which the company feels would free it from liability in the suit.

The company maintains that instead of producing the documents requested, the FTC has made available only "an assortment of cigarette ads already furnished the Commission," and some other unimportant papers.

The FTC is opposed to releasing other requested documents, claiming the materials are privileged information, protected from pretrial discovery.

However, R.J. Reynolds contends that these other documents will reveal to the court the government's attempt to rewrite history.

Dividend declared

The Board of Directors of R.J. Reynolds Industries, Inc. has declared a quarterly dividend of 82 cents per share on the Common Stock of the Company, payable December 6, 1976, to shareholders of record November 10, 1976.

This represents an increase of 5 cents over the rate paid in the four previous quarters.

This is the 77th consecutive year the Company has paid a dividend. It has increased the dividend payment per common share each year for the past 23 years except for 1971, when dividend increases were prohibited by federal economic guidelines.

Tobacco Company introduces Salem Long Lights

A new low "tar" and nicotine cigarette, Salem Long Lights, was introduced nationally in early October by R.J. Reynolds Tobacco Company.

The 100mm menthol cigarette fills a current gap in the low "tar" and nicotine category.

The entry of Salem Long Lights was prompted by the small number of 100mm low "tar" and nicotine brands and by the success of Salem Lights when they were introduced directly into national distribution a year ago.

RJR has over 40% of growing 'low-numbers' market

Low "tar" and nicotine cigarettes, those with 15 mg. of "tar" or less, now account for about 14 percent of all cigarettes smoked in the U.S., and R.J. Reynolds Tobacco Company's low-numbers brands represent over 40 percent of sales in this category.

Company surveys show that in 1975 approximately 65 billion low "tar" cigarettes were sold, compared with 54 billion in 1974. The low "tar" category now accounts for 14.4 percent of the company's business

"While we consider the smoking and health question still unanswered, it is obvious that government and health agency reports have created a demand for lowered 'tar' and nicotine cigarettes among a significant number of American smokers," Wm. D. Hobbs, R.J. Reynolds Tobacco Chairman, said. "It is our company's intention to meet this demand with quality products."

Hobbs added that in the past 13 months, R.J. Reynolds has introduced four low-numbers brands — Salem Lights, NOW regular, NOW menthol and Salem Long Lights. The company also manufactures Vantage, the leading low "tar" brand, Doral and Winston Lights.

"Our new brands, coupled with our already successful Winston Lights, give us a very strong position in the low 'tar' market," Hobbs noted.

In a speech in October before the Tobacco Growers Information Committee, Hobbs reassured farmers that the increasing demand for low "tar" cigarettes would not lessen demand for leaf tobacco.

He said that while it is true that some low-numbers brands require less tobacco, R.J. Reynolds was now buying more tobacco than ever before.

Hobbs also called for unity within the tobacco industry to combat the increasing pressure from antismoking groups. He said that if each American smoker consumed one less cigarette per day due to restrictive legislation curtailing smoking in public places, the result would be a decrease in the demand for leaf tobacco of over 38 million pounds.

Tobacco Company increases prices

R.J. Reynolds Tobacco Company has increased prices on all its domestic cigarette brands by 75 cents per thousand.

The company also increased the price of Winchester little cigars by 75 cents per thousand.

The new price increase brings the total cost of R.J. Reynolds Tobacco Company's cigarette brands to $13.50 per thousand for regular and king-size brands and $14 per thousand for super king-size (Long) brands. More, the 120mm brand, will sell for the same price as super king-size cigarettes.

Oil-bearing sands encountered off California coast

A group of oil companies that includes American Independent Oil Company (Aminoil) has encountered oil-bearing sands in a well being drilled south of Long Beach in 659 feet of water off the coast of Southern California.

Aminoil has a 16.5 percent interest in the tract, which is located in San Pedro Bay, and a similar interest in an adjoining tract. Shell Oil Company, which leads the group drilling the well, has a 50 percent interest in the two tracts, which were acquired for $71.2 million.

In a recent address to security analysts, Shell president John F. Bookout said tests have been completed on two distinct zones. One zone flowed at a rate equivalent to about 400 barrels of oil a day during a five-hour test, he said.

"We are confident this zone is capable of commercial rates of production if further drilling finds it to be extensive enough to support development," Bookout said.

Tests in another zone were not conclusive, he added, but small quantities of oil were recovered.

Even if the quantities of oil found are of sufficient size, production could not begin for several years.

Other partners in the drilling include: Occidental Petroleum Corporation, 17 percent; Chanslor-Western Oil Development Company, a Santa Fe Industries company, 12 percent; Hamilton Brothers Oil Company, 2.6 percent; Hamilton Brothers Exploration Company, 1.2 percent; Hamilton Brothers Petroleum Corporation, 0.7 percent.

Canning operation completed in N.J.

RJR Foods, Inc. has completed construction of a new can-manufacturing operation in South Brunswick, N.J. The new facility is a joint venture between American Can Company, which is manning and equipping the facility, and RJR Foods, which owns the land and building.

Full production is scheduled for January, 1977.

The new 35,000-square-foot plant, built directly opposite RJR Foods' manufacturing and distributing operation, will supply 46-ounce cans for the Hawaiian Punch ready-to-drink product.

They will be fed into the manufacturing operation by an enclosed bridge conveyor system.

A similar venture between RJR Foods and American Can went into operation at RJR Foods' plant in Plymouth, Indiana, in 1971.

Sea-Land offers Sea-Air System

Sea-Land Service, Inc. recently introduced a low-tonnage cargo service that combines the dependability of ocean shipping and the speed of air transport.

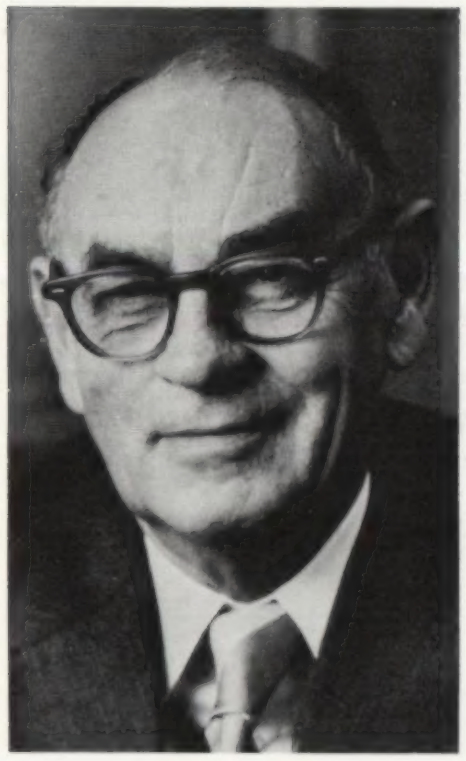
Called the Sea-Air System, the service is almost 50 percent less expensive than all-air shipment. At the same time, Sea-Air is fast enough for customers to meet buyer schedules for their goods.

Sea-Air now serves any port of origin in Asia, but most of the cargo comes from either Hong Kong or Japan.

Via Sea-Air, a shipment leaving Japan on a Friday will arrive in Chicago or New York a week from the following Monday, which is only six working days later.

Focus of Sea-Air is Sea-Land's terminal in Seattle, which links incoming cargo with high-priority air service — usually Flying Tiger or United Air Lines.

Dear Stockholders:



Colin Stokes

J. Paul Sticht

Sales and revenues increased 17 percent to a record $4.2 billion for the nine months ended September 30, but the Company continued to take sharp issue with a Financial Accounting Standards Board (FASB) rule which it believes leads to misleading and erratic interpretation of profit performance.

The Company has opposed the FASB rule from the beginning on the grounds that it distorts the true operating picture of the Company. The most recent quarter makes this fact most evident.

There was a swing of $40 million in pretax earnings between third-quarter 1975 unrealized foreign currency translation gains and third-quarter 1976 unrealized foreign currency translation losses. The swing had the effect of reducing third-quarter net earnings by $20.4 million, compared with 1975, or 40 cents per common share on a fully diluted basis.

These unrealized "paper" translation gains and losses may never be realized and could reverse in future periods as foreign currency exchange rates fluctuate.

Net earnings for the nine-month period reached a record $263 million, up 1 percent. Fully diluted earnings per common share declined 6 cents to $5.14 on a greater number of average shares outstanding.

Consolidated sales and revenues for the third quarter rose 19 percent to $1,497 million, while net earnings declined 18 percent to $92 million and fully diluted earnings per common share were $1.79, down 44 cents.

Earnings from operations increased for both the nine months and third quarter, rising 8 percent for the nine-month period to $573 million and 5 percent for the third quarter to $213 million.

Tobacco Business

Unit sales of the Company's domestic cigarette brands rose about 3.3 percent during the first nine months of the year, compared with an estimated gain for the industry as a whole of about 1.6 percent. As a result the Company improved its share of the U.S. market.

The domestic increase came principally from the performance of several of the Company's newer brands, primarily Vantage, More and Now. Salem Long Lights, a 100mm low "tar" and nicotine version of the Company's popular Salem brand, was introduced nationally in early October.

Unit sales in the international tobacco business increased 33 percent from 1975. Approximately 40 percent of the gain was due to a Brazilian acquisition late last year.

The Company's total worldwide tobacco sales rose 15 percent to $2,799 million in the first nine months. Third-quarter sales reached $962 million, a 13 percent increase from the year-earlier level.

International operations contributed nearly half of the $364 million nine-month gain and about one-third of the total was attributable to the carryover effect of last year's price increase.

Earnings from consolidated tobacco operations were $431 million for the nine months and $151 million for the third quarter, gains in both periods of 12 percent.

Transportation Business

For the nine-month period transportation earnings from operations rose 30 percent to $93 million and in the third quarter they increased 53 percent over 1975 levels to $42 million.

The improved earnings from operations were attributable to much improved shipping volume in the major trade routes.

Transportation revenues totaled $627 million for the nine months, up 9 percent from 1975. Revenues rose 14 percent to $226 million in the third quarter.

Petroleum Business

Petroleum sales for the first nine months were $465 million, up 38 percent, and third-quarter sales were $223 million, up 68 percent. The sales gains resulted principally from sales attributable to the former Burmah Oil Company properties that the Company acquired on June 30, 1976.

Exploration and lease expenses, which are expected to remain at high levels for several years, have been increased over the 1975 level. Additionally, the Company's provision for assessments by foreign governments has been increased over last year. These factors more than offset modest contributions to earnings from operations by the recently acquired Burmah Oil properties. As a result, petroleum earnings from operations were $28 million for the first nine months, down 45 percent. For the third quarter, earnings from operations were down 52 percent to $15 million.

The Company's "successful efforts" method of accounting for exploration costs charges a higher proportion of these costs against earnings immediately rather than deferring them to future periods as would occur under the alternative "full cost" method, the method formerly used by the Burmah Oil group for its U.S. operations.

The Company has reclassified as operating expenses that part of foreign income taxes on petroleum operations that is in excess of the customary corporate income tax rates in the various foreign countries in which it has petroleum operations. For the first nine months of 1976 $148 million was reclassified to operating expenses. For the third quarter $49 million was reclassified.

Management believes this reclassification brings the earnings from international petroleum operations (which are taxed at extraordinarily high rates) into a more proper perspective with the earnings from operations of the Company's other businesses. Reports of prior periods have been adjusted to reflect the reclassification.

Other Businesses

Sales to outside customers by the Company's other businesses (foods and beverages and aluminum products and packaging) rose 28 percent to $275 million for the nine months and increased 18 percent to $86 million in the third quarter from year-earlier levels.

The gains resulted from higher volumes for most products and from new products, particularly the strong performance of RJR Foods' Hawaiian Punch powdered drink mix.

Earnings from operations for the nine months were $22 million, essentially unchanged from last year, and were $5 million for the third quarter, down 43 percent from last year because of high new-product development and introduction costs, which the Company views as an investment to secure future performance.

Nonoperating Items

Other income and expense includes the $4.5 million that the Company paid in final settlement and termination of its contractual obligations in connection with United States Lines. Another factor affecting net earnings was interest expense on the short-term borrowings the Company obtained to finance the June 30 acquisition of the Burmah Oil properties that pushed third-quarter interest and debt expense to $22 million, about $8 million higher than last year.

Dividends

A dividend of 82 cents a share on the Common Stock was declared October 21, payable December 6 to shareholders of record November 10.

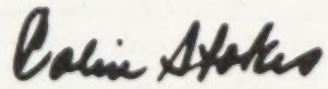
This represents an increase of 5 cents over the rate paid in the previous four quarters.

Investigation

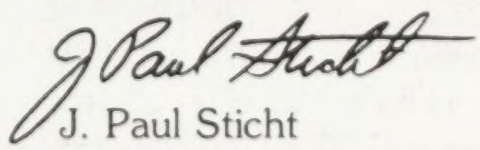
In September the Company virtually completed its previously announced investigation by the Audit Committee of the Board of Directors. A statement was released to the public on September 10. The statement in its entirety appears on pages 11, 12 and 13.

Financial Statements

Enclosed are condensed financial statements consisting of a comparative presentation of the results of operations for the three-month and nine-month periods ended September 30, 1976 and 1975; balance sheets as of September 30, 1976 and 1975; and statements of changes in financial position for the nine-month periods then ended. These statements are unaudited, but in management's opinion they contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods.



Colin Stokes
Chairman, Board of Directors



J. Paul Sticht
President

October 21, 1976

R. J. REYNOLDS INDUSTRIES, INC.

CONSOLIDATED SUMMARY OF OPERATIONS

(Dollars in Thousands Except Per Share Statistics)

	Three Months Ended September 30		Nine Months Ended September 30	
	1976	1975	**1976**	1975
Net sales and revenues (Note 2):				
Tobacco	**$ 961,953**	$ 850,450	**$2,798,860**	$2,434,608
Transportation	**226,425**	199,479	**626,959**	574,405
Petroleum	**223,285**	133,263	**465,318**	336,632
Other	**85,744**	72,587	**275,340**	215,872
Consolidated	**$1,497,407**	$1,255,779	**$4,166,477**	$3,561,517
Earnings from operations (Note 3):				
Tobacco	**$ 151,280**	$ 135,232	**$ 430,745**	$ 386,146
Transportation	**42,480**	27,765	**92,827**	71,263
Petroleum	**14,747**	30,976	**28,007**	50,569
Other	**4,832**	8,471	**21,841**	22,397
Consolidated	**213,339**	202,444	**573,420**	530,375
Interest and debt expense	**21,503**	13,646	**46,269**	42,485
Other (income) expense, net	**2,087**	(3,934)	**(4,771)**	(11,029)
	189,749	192,732	**531,922**	498,919
Foreign currency (gains) losses:				
Realized	**1,266**	2,179	**2,725**	3,595
Unrealized	**9,159**	(30,528)	**13,701**	(25,178)
Earnings before provision for income taxes	**179,324**	221,081	**515,496**	520,502
Provision for income taxes (Note 4)	**87,665**	109,200	**252,962**	259,651
Net earnings	**91,659**	111,881	**262,534**	260,851
Preferred dividends	**2,552**	2,794	**7,810**	9,395
Net earnings applicable to Common Stock	**$ 89,107**	$ 109,087	**$ 254,724**	$ 251,456
Net earnings per common share (Note 5):				
Primary	**$1.94**	$2.44	**$5.56**	$5.73
Fully diluted	**1.79**	2.23	**5.14**	5.20
Dividends per common share	**.77**	.72	**2.31**	2.16
Average number of common shares outstanding:				
Primary			**45,786,986**	43,852,742
Fully diluted			**51,120,828**	50,182,193

See Notes to Consolidated Condensed Financial Statements.

R. J. REYNOLDS INDUSTRIES, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

September 30
(Dollars in Thousands)

	1976	1975
ASSETS		
Current assets:		
Cash and short-term investments (Note 6)	**$ 112,505**	$ 119,828
Accounts and notes receivable, net	**490,354**	368,305
Inventories (Note 7)	**1,320,332**	1,108,848
Prepaid expenses	**30,974**	5,163
Total current assets	**1,954,165**	1,602,144
Property, plant and equipment - at cost	**2,603,620**	1,902,742
Less allowances for depreciation, depletion and amortization	**780,144**	697,908
Net property, plant and equipment	**1,823,476**	1,204,834
Cost in excess of net assets of businesses acquired	**170,641**	174,360
Other assets and deferred charges	**256,811**	199,650
	$4,205,093	$3,180,988
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	**$ 386,445**	$ 85,160
Accounts payable and accrued accounts	**502,200**	341,746
Current maturities of long-term debt	**46,936**	39,111
Income taxes accrued	**141,276**	178,382
Total current liabilities	**1,076,857**	644,399
Deferred revenue (Note 8)	**275,800**	—
Long-term debt (less current maturities)	**538,070**	436,563
Other non-current liabilities	**71,498**	74,863
Deferred income taxes	**185,063**	167,357
Stockholders' equity (Note 10):		
Preferred Stock	**46,717**	52,059
Common Stock	**230,418**	226,627
Paid-in capital	**111,690**	99,020
Earnings retained	**1,668,980**	1,480,100
Total stockholders' equity	**2,057,805**	1,857,806
	$4,205,093	$3,180,988

See Notes to Consolidated Condensed Financial Statements.

R. J. REYNOLDS INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Nine Months Ended September 30
(Dollars in Thousands)

	1976	1975
Working capital was provided by:		
Operations:		
Net earnings	**$ 262,534**	$260,851
Depreciation, depletion and amortization	**99,566**	93,611
Deferred income taxes	**(9,199)**	30,132
Long-term foreign currency translation (gains) losses	**10,039**	(23,625)
Other	**3,230**	2,010
Total from operations	**366,170**	362,979
Proceeds from sale of oil production payment (Note 8)	**280,000**	—
Proceeds from issuance of Company's stocks	**14,450**	62,811
Other sources	**13,932**	2,634
	674,552	428,424
Working capital was used for:		
Net increase in long-term assets from acquisitions accounted for as purchases (Note 9)	**499,461**	4,993
Capital expenditures	**107,351**	130,139
Cash dividends	**113,533**	105,201
Long-term debt becoming currently payable	**29,611**	29,207
Retirement of Preferred Stock upon conversion	**4,529**	20,286
Deferred revenues recognized in the current period (Note 8)	**12,137**	—
Other uses	**14,295**	4,360
	780,917	294,186
Increase (decrease) in working capital	**$(106,365)**	$134,238

See Notes to Consolidated Condensed Financial Statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1
Basis of Presentation

The accompanying condensed financial statements are unaudited and include footnotes on an interim basis similar to those required for quarterly reports filed with the Securities and Exchange Commission. In the opinion of the Company the condensed financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods.

These condensed financial statements should be read in conjunction with the Company's Annual Report to Stockholders for the year ended December 31, 1975, a copy of which may be obtained by writing to the Secretary, R.J. Reynolds Industries, Inc., Winston-Salem, N.C. 27102.

Note 2
Net Sales

Net sales and revenues include Federal and foreign excise taxes on tobacco products of $376,000,000 and $330,354,000 for the three months ended September 30, 1976 and 1975, respectively, and $1,081,629,000 and $958,099,000, respectively, for the nine month periods then ended.

Note 3
Costs and Expenses

For interim reporting purposes certain costs and expenses are charged to operations in proportion to the estimated total annual amount expected to be incurred.

Note 4
Income Taxes

The provision for income taxes includes both amounts due currently and amounts that are deferred and that may be payable in future years. The provision for deferred income taxes amounted to ($13,688,000) and $14,272,000 for the three months ended September

30, 1976 and 1975, respectively, and ($9,199,000) and $30,132,000, respectively, for the nine month periods then ended.

Foreign income taxes on petroleum operations in excess of the customary corporate income tax rates in the various foreign countries in which petroleum operations are conducted have been reclassified as operating expenses. For the third quarter of 1976 and 1975, $48,936,000 and $34,195,000 respectively, were reclassified to operating expenses and $148,391,000 and $104,396,000 for the first nine months of 1976 and 1975, respectively, were reclassified.

Note 5
Earnings Per Share

Primary net earnings per common share are determined by dividing net earnings applicable to Common Stock by the average number of common shares and equivalent common shares outstanding.

Fully diluted earnings per common share are calculated using the "treasury stock" method. This method assumes that all shares of the Preferred Stock outstanding during the period were converted into Common Stock and the proceeds used to purchase treasury common shares at the higher of the average daily price or period-end closing price of the Common Stock.

Note 6
Cash and Short-term Investments

Short-term investments at September 30, 1976 and 1975, valued at cost (approximate market), amounted to $6,398,000 and $62,347,000, respectively. Cash balances at September 30, 1976 are substantially higher than the prior year amount due principally to compensating balance requirements arising from increased short-term borrowings.

Note 7
Inventories

The major classes of inventory and the amount of each at September 30 were:

	1976	1975
Leaf tobacco	**$ 973,144,000**	$ 851,199,000
Manufactured products	**126,123,000**	99,616,000
Excise tax on manufactured products removed from bond	**76,198,000**	59,969,000
Other materials and supplies	**144,867,000**	98,064,000
	$1,320,332,000	$1,108,848,000

Note 8
Deferred Revenue - Oil Production Payment

At September 30, 1976, the Company had deferred revenues of $275,800,000 of which $267,863,000 represented the unrecognized balance of the proceeds from the sale in September, 1976 of future oil and gas production. The sale involved revenues from oil and gas derived from certain of the U.S. oil and gas interests acquired by the Company from the Burmah Oil Company (see Note 9). The deferred revenues and related producing costs and expenses will be reflected in the Company's earnings as production occurs.

In addition to the future revenues, the purchaser of the production payment will receive interest at ½ of one percent above prime on the unrecognized balance of the amounts deferred.

Note 9
Acquisition of Burmah Oil and Gas Company and Burmah Oil Development, Inc.

On June 30, 1976, the Company through a wholly-owned subsidiary acquired the outstanding capital stock of Burmah Oil and Gas Company and Burmah Oil Development, Inc. for approximately $522 million in cash. The names of these companies were subsequently changed to Aminoil USA, Inc. and Aminoil Development, Inc., respectively. The acquisition was recorded by the purchase method of accounting and was financed initially by short-term borrowings, which have been replaced in part by a $280 million non-recourse production payment (see Note 8). The consolidated operating results of the Company for the quarter ended September 30, 1976 includes the operations of Aminoil USA, Inc. and Aminoil Development, Inc. since the date of acquisition.

The following unaudited pro forma combined results reflect the operations of the Company as if the acquisition had taken place on January 1, 1975. Under the Company's "successful efforts" method of accounting for exploration cost, pro forma income has been charged with a high level of exploration expense (including dry hole costs and amortization of lease acquisition costs) although most of the production revenue from this exploration activity will not be realized until 1977 or later:

	Nine Months Ended September 30	
	1976	1975
Net sales and revenues	**$4,418,376,000**	$3,875,990,000
Net earnings	**254,523,000**	252,571,000
Net earnings per common share:		
Primary	**5.39**	5.55
Fully diluted	**4.98**	5.03

Note 10
Common and Preferred Stock

During the third quarter of 1976, 181,111 shares of the Company's $2.25 Convertible Preferred Stock (without par value), stated value of $10.57, were converted into 271,665 shares of Common Stock (par $5). Of the authorized but unissued common shares (60,000,000 shares authorized; 46,083,631 and 45,325,472 shares outstanding at September 30, 1976 and 1975, respectively) 6,629,626 shares were reserved for issuance upon conversion of 4,419,751 shares of $2.25 Convertible Preferred Stock (authorized 4,431,701 and 4,937,144 shares; outstanding 4,419,751 and 4,925,194 shares at September 30, 1976 and 1975, respectively).

Note 11
Contingent Matters

See Note D to the financial statements in the Company's Annual Report for the year ended December 31, 1975 for a description of certain commitments and contingencies including, among other things, a description of three antitrust lawsuits involving certain tobacco farmers and purporting to be class actions. On July 16, 1976, in one of the foregoing cases, a United States Court of Appeals reversed the September, 1975 holding of the trial court that the action was not a proper class action and held that the case should proceed as a class action. A petition for rehearing en banc has been filed with the Court of Appeals but the Court has not yet acted upon it.

On April 28, 1976, the investigation by the Audit Committee of the Company into questionable foreign payments, political contributions, off-book funds and related matters was announced. Subsequently, on May 28, 1976, the Company issued a press release and filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "Commission") disclosing the interim results of the investigation to that date. Thereafter, on September 10, 1976 the Company issued a press release and filed with the Commission its Current Report on Form 8-K disclosing the results of the investigation indicating problems in three areas.

In the first area, the investigation concluded that more than $19 million in possibly illegal rebates, which may have violated the Shipping Act of 1916, had been paid by Sea-Land to shippers, consignees and forwarding agents during the period 1971 through 1975. Sea-Land Service, Inc. has made full voluntary disclosure to the Federal Maritime Commission (the "FMC") concerning possible violations of the Shipping Act of 1916. The FMC has stated that it will impose substantial penalties and that it will impose other sanctions against Sea-Land.

A Federal grand jury in New Jersey is investigating rebating in the entire shipping industry.

In the second area, the investigation identified a total of $5,360,000 in questionable payments, made primarily to lower or middle level officials or employees of foreign governments or officials or employees of companies owned or controlled by foreign governments since January 1, 1971, of which approximately $5,070,000 was made by international tobacco subsidiaries of the Company and the balance of approximately $290,000 by Sea-Land.

In the third area, corporate funds totaling as much as $190,000 were used for domestic political contributions.

The Company is unable to predict the outcome of the foregoing matters and the ultimate effect, if any, upon the Company's financial statements.

See Note E to the financial statements in the Company's Annual Report for the year ended December 31, 1975 for a description of certain matters involving United States Lines (with respect to which the Independent Accountants' Report contains a qualification), including an antitrust action before a United States District Court. On September 13, 1976, an agreement was entered into and consummated between Reynolds and Walter Kidde & Company ("Kidde") under which the supplemental agreement referred to in Note E was cancelled in return for the payment of $4,500,000 to Kidde. The Company has no further responsibility to Kidde in respect of any of its agreements relating to the purchase of United States Lines from Kidde.

RJR reports details of Audit Committee investigation

The following was released to the press September 10, 1976:

WINSTON-SALEM, N.C. — R.J. Reynolds Industries, Inc. reported today on the previously announced investigation by the Audit Committee of the Board of Directors. It said that the investigation had concluded that more than $19 million in possibly illegal rebates had been paid by its shipping subsidiary, Sea-Land Service, Inc., to shippers, consignees and forwarding agents during the period 1971 through 1975. Of this amount, approximately $11.5 million related to Atlantic business; approximately $7 million related to Pacific business and the balance to Caribbean business. The total was less than 0.65 percent of Sea-Land's revenues in the period. The company said it hopes its full public disclosure will help to stop a practice that has plagued the shipping industry for decades.

Reynolds also announced that Sea-Land had made full voluntary disclosure to the Federal Maritime Commission (the "FMC") starting in the spring of this year, concerning possible violations by Sea-Land of the Shipping Act of 1916, which outlaws rebating and related practices.

Sea-Land and the FMC are in discussion with respect to a settlement agreement concerning Sea-Land's past payments and practices. It is anticipated that an agreement will be reached which will involve the payment by Sea-Land of a substantial civil penalty and possible other sanctions.

Colin Stokes, R.J. Reynolds Industries chairman, and J. Paul Sticht, president, said the company-wide investigation which was launched earlier this year covered foreign payment problems, domestic political contributions, off-book funds and related matters. They said the results of the investigation have been made available to the staff of the Securities and Exchange Commission under the SEC's voluntary disclosure program.

Rebating by Sea-Land in the U.S.Foreign Commerce

The company said the rebates and related practices by Sea-Land, although traditional and pervasive in the international ocean shipping industry, nonetheless violated company policy and may have violated the Shipping Act of 1916.

The company said that the rebates had been paid in part from off-book funds and that mislabeling of accounts had been involved. However, the company had systems to keep detailed track of the amounts of and bases for individual payments. The company emphasized that all improper rebates and all off-book funds had been terminated by Sea-Land. The fact that Sea-Land was engaged in rebating was not known to top management of the parent company until early in 1975 at which time corrective action began to be taken.

"The investigation disclosed that when Sea-Land entered overseas routes in the mid-1960s, before the acquisition by Reynolds in 1969," Sticht said, "the company tried to compete without paying rebates or engaging in other questionable practices which prevailed in the industry even though they violated the Shipping Act. We understand Sea-Land found that many shippers expected rebates and almost every foreign and domestic carrier apparently paid them. Sea-Land reluctantly joined in the practice after trying to compete without doing so.

"However, Sea-Land took the lead in attempting to stop rebating in the industry. The company tried to persuade its fellow carriers to make binding agreements to stop the practice. It sought to strengthen the policing bodies of the conferences which govern ocean trade, and it cooperated fully with the Federal Maritime Commission in seeking a permanent solution.

"In mid-1973 Sea-Land unilaterally halted rebating in the Pacific, other than 'tea money.' Tea money is a small payment to a shipping clerk common in some Asian countries; while such individual payments are small, they aggregated as much as $730,000 in one year. That practice also was halted this year.

"In mid-1975 the company unilaterally halted all rebating in the Atlantic. However, we are told that rebating by certain other carriers continues to be pervasive in both oceans and that Sea-Land believes that it has lost business as a result.

"We hope by our investigation and voluntary disclosure to focus the attention of the industry and responsible shippers on these practices. We want to help bring about a change in atmosphere so that in the future no reputable shipper will accept and no reputable carrier will offer any illegal rebates.

"It is imperative for the future well-being of the U.S. maritime industry that all possible government and private efforts be directed toward assuring that carriers and shippers which do adhere to strict standards of legality are not penalized by failure of their competitors to do so.

"We are confident that if the rebating problem is solved, the future of the U.S. maritime industry will be greatly improved and Sea-Land will be better able to compete. If, however, Sea-Land's competitors, foreign and domestic, are not obliged to obey the law, Sea-Land could be seriously affected in the future."

Rebating is a form of price competition conducted by returning to the shipper or consignee a part of the posted tariff payment. It is not illegal under the laws of most foreign countries. In fact, it is customary in most parts of the world. (Continued)

(Continued from page 11)

Most rebates in the Atlantic trades were paid in Europe through the company's agents in various countries. While some U.S. companies or their European subsidiaries were recipients, most rebates were paid to European freight forwarders, shippers or consignees. At the time of the payments, Sea-Land had systems to keep track of the amounts of and bases for individual rebates paid through agents. The payments were inaccurately described on the company's books. Rebating in the North Atlantic was largely halted by Sea-Land in 1971 but it continued in the Mediterranean-to-U.S. and Gulf of Mexico-to-Europe trades until 1975.

In the Pacific, recipients included U.S. as well as Asian shippers, consignees and freight forwarders. All payments were made, and most negotiations on the subject were conducted in the Far East. In the Pacific trades the majority of payments were made in cash or by check by the company's own employees. Off-book funds were used in many cases. The payments were generally shown on the company's books as commissions or brokerage. At the time of the payments Sea-Land also had systems to keep track of the amounts of and bases for individual payments in most countries in the Far East.

Payments Relating Primarily to Foreign Tobacco Sales

In another major area, the company said that the investigation had identified a total of $5,360,000 in questionable payments, made primarily to lower or middle level officials or employees of foreign governments — or officials or employees of companies owned or controlled by foreign governments — since January 1, 1971. Approximately $5,070,000 were made by international tobacco subsidiaries of the company and the balance of approximately $290,000 by Sea-Land. The questionable nature of these payments was not known to officers of the parent company; it is not clear that all commission payments to such employees or officers are violative of local law or custom in the areas where they occurred.

The company stated that approximately $4,550,000 were recorded as commissions to customers on the company's books, but that they were paid under circumstances which raise at least serious questions as to whether the ultimate recipients were the customers or individual officials or employees of the customers. In particular, the commission arrangements were oral, the payments were either in cash or by interbank transfer to a numbered account and no receipts were received. Approximately 20 percent of the company's foreign business is with state-owned or controlled companies or agencies which operate or control monopolies of tobacco products. Any payments to employees of such entities may, in a sense, be considered payments to government representatives.

Some 75 percent of the commission arrangements in question have already been terminated. The balance is expected to be terminated in the course of the next few months if determined to be illegal. The company has no reason to believe that the termination of the arrangements will have a material impact on its business.

In addition to the questionable commissions, the review disclosed a number of small payments, many in the nature of gratuities, to employees and agents of government and other companies engaged in the purchase and distribution of tobacco products. These payments, aggregating approximately $390,000 for the period, were apparently intended to gain information as to marketing conditions or to encourage employees of these companies to maximize distribution of the company's products. The recipients were required to perform many of the services involved in the normal course of their duties. The payments were recorded on subsidiaries' books.

Two payments totaling $75,000 were made to a consultant to assist in negotiations with a monopoly in one country in circumstances which led the investigators to characterize the payments as questionable. Five other payments totaling approximately $55,000 were also made in questionable circumstances by tobacco subsidiaries overseas. These seven payments were recorded on the company's books.

Other Payments by Sea-Land

Over the period, Sea-Land paid approximately $290,000 in eleven countries in a variety of situations which led to their being characterized as questionable. These payments were not known to management of the parent company. Some of these payments, most of which were quite small, may have gone ultimately to lower and middle level government officials in various countries. Some were small recurring payments intended to persuade clerks and others to carry out their regular duties expeditiously and fairly. Some were in the nature of gratuities or holiday gifts to employees of customers, low level officials, police and others. Some were paid out of off-book funds and most were inaccurately characterized on the company's books.

Domestic Political Contributions

In another major area the company said that corporate funds totaling as much as $190,000 had been used for domestic political contributions between January,

1968, and January, 1973. This represents an increase of up to $100,000 over the amount reported in the initial disclosure on the subject. The funds were generated by diverting a royalty payment due from a foreign licensee and by paying inaccurate invoices, purportedly from other foreign companies. The proceeds went into a cash fund. Contributions from this fund and legitimate contributions from company officers were made primarily to Congressional and Presidential candidates, through one or more representatives of the company in Washington, D.C. The company has no reason to believe that any recipient knew that corporate funds were involved.

The company first reported on the question of domestic political contributions in late May. At that time three of the participants in making the contributions resigned as officers and directors of the company. They have remained as employees, but with reduced responsibilities and compensation. In its first release the company said a retired officer and director of the company apparently participated to some extent in the use of what the investigation indicates were corporate funds in making political contributions. The retired individual said he had no knowlege that corporate funds were involved, but he, like the other three participants, offered to participate in making the company whole for any such use of company funds which may have been made. The company has said it will accept the offer. The further investigation did not show that any other past or present officer or director of the company was a participant.

Tax Considerations

The company stated that it has not made a final determination as to the tax consequences of any of the disclosed payments but said that they were not expected to be material to the company's financial condition. The total amount of the payments disclosed in the investigation amounted to less than 0.14 percent of the company's consolidated net sales and revenues for the years 1971-1975. Representatives of the Internal Revenue Service have been kept apprised of the progress of the investigation. The basic rebating practices and foreign payments disclosed by the company are believed by the company not to have any significant income tax consequences.

Federal Grand Jury

A federal grand jury in New Jersey is investigating rebating in the entire shipping industry. The Assistant U.S. Attorney involved has been kept apprised of the progress of the investigation into rebating at Sea-Land.

While certain forms of rebating carry criminal sanctions, no such forms of rebating were discovered in the course of the company's investigation. The company started its initial investigation long before it learned of the grand jury investigation. It believes it has developed all the relevant facts as part of its participation in the SEC voluntary disclosure program.

Shareholders' Derivative Suit

Shortly after the company's May 28, 1976 press release, a shareholders' derivative suit was filed in federal court in New York City against the company and a number of its present and former officers and directors. The complaint includes allegations that the defendants failed to disclose the payments referred to in that press release, allegedly in violation of federal securities and other laws.

Company Policy Re Adherence to Law

The company has recently revised and reissued its formal policy requiring adherence to laws and proper practices by all of its officers and employees. The company has recently issued a comprehensive set of guidelines detailing this policy. In addition, the company is studying and expects to establish specific controls aimed at preventing the kinds of practices identified in the investigation.

Scope of the Investigation

The investigatory work was performed by independent outside counsel, an independent public accounting firm and the company's entire internal auditing staff. Fifteen lawyers and up to 75 accountants were involved. Some 400 interviews of past and present directors, officers, employees, agents and third parties were conducted in over thirty foreign countries and the United States. Hundreds of thousands of documents were reviewed and analyzed in various locations all over the world and the United States; the auditors alone devoted over 40,000 man-hours to this task.

Stokes stated the opinion that the investigation, which he characterized as virtually completed, was one of the most thorough that had been carried out by any company as a part of the SEC's voluntary program.

RJR Archer raises product prices

The Metals and Packaging divisions of RJR Archer, Inc. increased product prices, effective October 4.

Prices on converter grade aluminum foil rose 6 cents a pound, effective with orders shipped on or after October 4.

The metals price increase will only partially offset increased costs incurred by Archer for raw materials, energy and labor in the past 12 months.

The increase in aluminum foil is reflected in five to six percent price increases on converted products. These products include items such as unprinted foil laminations, printed flexible packaging and folding cartons.

Chun King celebrates Moon Festival

Chun King Oriental foods is celebrating the ancient Chinese harvest-time "Moon Festival" by offering consumers a free Chinese checkers set in exchange for 20 proof-of-purchase coupons. The set, retailing for $11.95, can be purchased for $7.95 with one proof-of-purchase. Chun King also offers a $2 cash refund for six proofs-of-purchase.

Tobacco International names G. Dee Smith

G. Dee Smith, President of R.J. Reynolds Tobacco International,

Inc., has been named chief operating officer, with Tobacco International's four world areas reporting to him.

In addition, Charles H. Jennings, Director of Personnel, Neal Pitzer, Director of Operations, and Dale Sisel, Director of Finance and Administration, have been named vice presidents of Tobacco International.

Tobacco Company receives award

R.J. Reynolds Tobacco Company recently received the National Award of Excellence from the Office of Minority Business Enterprise (OMBE), an agency of the U.S. Commerce Department, for its outstanding contributions to minority business development.

Foods cosponsors Sertoma Bowl

On November 20, RJR Foods and the Sertoma Club West, a Winston-Salem civic group, cosponsored the Sertoma-Hawaiian Punch Bowl, the football season's first bowl game.

The Bowl pitted four champion Pop Warner Junior League football teams from the Winston-Salem area against four champion teams from other areas in the United States. The players ranged in age from 9 to 15.

Aminoil succeeds in two Baltimore Canyon bids

Aminoil USA, Inc. has successfully bid for two tracts in the recent lease sale in the Baltimore Canyon on the outer continental shelf off New Jersey and Delaware.

In one site it bought a 35 percent interest, with 65 percent going to Tenneco, which will operate the tract. In the other tract, Aminoil has 25 percent, with 60 percent going to Gulf Oil, the operator, and the other 15 percent going to Tenneco.

Aminoil bid a total of $28 million on nine tracts at the auction. Its share of the two successful bids totaled $5.5 million.

More than 60 oil companies bid for the 101 tracts, which are 50 to 90 miles off the coast. The Department of Interior accepted 93 of the 101 high bids for a total of more than $1.1 billion.

All exploration is currently being delayed because of a suit brought by environmental groups. Both the Environmental Protection Agency and the Council of Environmental Quality have said they do not consider the offshore development dangerous.

Drilling on the sites cannot begin until three to six months after a court decision. Exploration cannot begin before early 1977 and the earliest possibility for production would be three years after that.

Tobacco International appoints BBDO

R.J. Reynolds Tobacco International, Inc. has appointed BBDO International advertising agencies for new assignments in three countries.

FHV/BBDO in Holland has been named the agency for Camel Plain, Camel Filter, Reynolds No. 1 and Time cigarettes.

CBBA, BBDO's Brazilian partner in Sao Paulo, will handle Masters, Rothmans and St. Moritz cigarettes for R.J. Reynolds Tabacos do Brasil Ltda.

Team/BBDO in Dusseldorf has been assigned Camel Plain, Camel Filter and Reyno cigarettes for Haus Neuerburg GmbH.

Last February, CLM/BBDO in Paris was assigned the advertising for Winston.

In the United States BBDO was assigned Doral cigarettes in August.

A new type of film packaging for beef that offers visible proof of protection has been developed by the Filmco Division of RJR Archer, Inc. in Aurora, Ohio.

The product, called Duravac, provides instant visible proof of vacuum protection during the wrapping of beef. A three-ply film, Duravac features a naturally frosty finish that turns clear when the bagging is completely heat-sealed around the meat. If there are any leaks in the seal, the Duravac will not turn clear.

Duravac caters to the fastest-growing trend in the wholesale meat industry — the shipment of beef in what are known as primal and subprimal cuts.

World Headquarters glassed in

Panes of reflective Thermopane glass are being installed in the new World Headquarters building in Winston-Salem.

NOW 'tar' and nicotine cut in half

The "tar" and nicotine content of NOW regular, already the lowest of all king-size nonmenthol filter brands, will be reduced by 50 percent to 1 mg. "tar" and 0.1 mg. nicotine, R.J. Reynolds Tobacco has announced.

The product improvement will make NOW the first regular king-size cigarette in the United States to contain only 1 mg. "tar." The "tar" and nicotine levels of NOW menthol will be similarly reduced.

"Smokers of super-low 'tar' brands such as NOW are primarily concerned about one factor — the maximum reduction of 'tar' and nicotine," said Wm. D. Hobbs, Tobacco Company Chairman, "and NOW's numbers have been reduced to strengthen its appeal among this group."

The new NOW product will begin appearing in retail outlets across the U.S. in late November.

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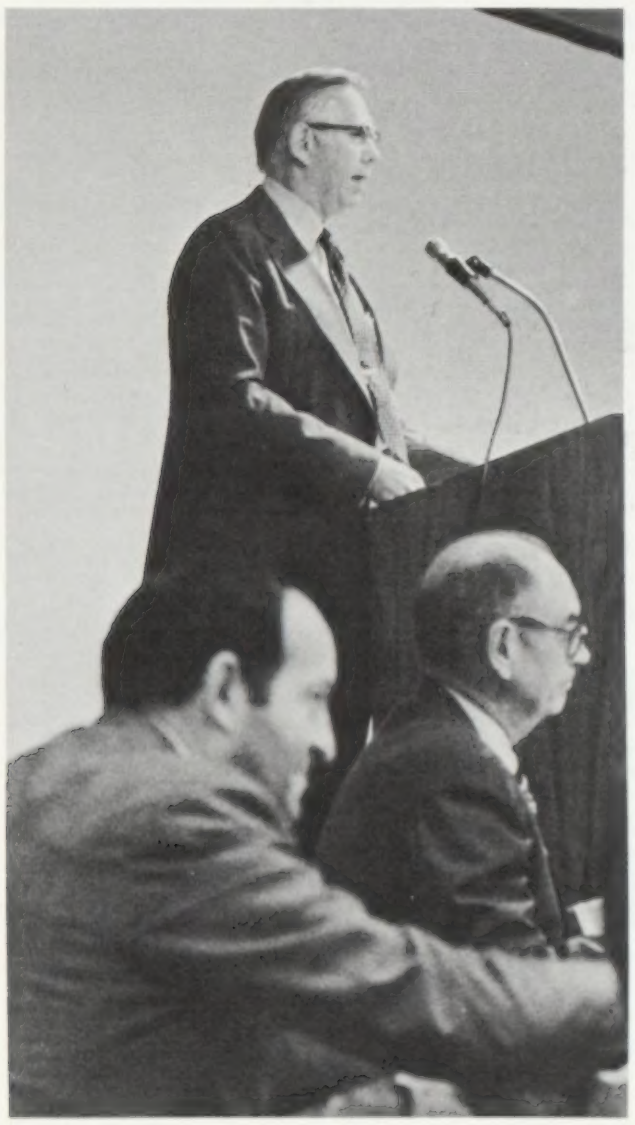
R.J.Reynolds hosts security analysts at two-day seminar



R.J. Reynolds Industries, Inc. expects solid growth in each of its businesses during the next five years, RJR executives told 125 of the nation's leading security analysts at a meeting sponsored by the Company recently in Winston-Salem.

The two-day session was held to give analysts a comprehensive view of corporate thinking and the financial performance, operations and plans of RJR's six subsidiaries.

Reynolds Industries Chairman Colin Stokes began by introducing the Corporation's newly created management committee, consisting of himself, President J. Paul Sticht, and Executive Vice Presidents James R. Peterson, J. Tylee Wilson, Michael R. McEvoy and J.B. Sunderland.

Stokes said the committee will handle management succession programs, expansion of the Company's businesses, use of financial resources and planning of corporatewide development.

Sticht told the analysts that RJR had "significantly outperformed" most of the firms on Standard & Poor's list of the 425 leading industrials, especially in terms of growth rate. He said RJR was one of the few firms to show "real growth" during the recent recession, with an 8.5 percent growth rate. The S&P 425's 5 percent earnings growth merely equaled the inflation rate, he noted.

Sticht countered those who he said "had taken a somewhat jaundiced view of our Company" during the last 10 years. He said some investors have paid too much attention to the problems of smoking and health and punitive cigarette taxation and the past problems facing the shipping and petroleum industries.

"The capability of management to deal with these problems is a prime factor in establishing the value of a company, and we think more and more people are getting wise to our capacity," Sticht said.

"We have been conscientiously building a corporate management structure," he stressed. "With each acquisition we have gained management experience in the industries we were entering. And we have brought in some strong people from the outside.

"We have several solid, well-managed companies, which brought together, are stronger than the individual pieces.

"We are positioned for more stable, more uninterruptible growth than most firms."

Top management from RJR's six subsidiaries gave the analysts in-depth looks at their businesses. The following is a digest of their remarks.

(Continued)

(Continued from page 17)

TOBACCO COMPANY

R.J. Reynolds Tobacco Company is meeting its objective of increasing its share of the U.S. cigarette market, Wm. D. Hobbs, Chairman, told the analysts.

"Our total share-of-market is now at 33.4 percent, up 0.4 percent in the first half of 1976, and up 1.4 share points over the last 18 months," he said.

"In 1975 we achieved greater unit-volume growth than any other company. And this is going to be another good year of unit-volume and share growth for us.

"We will not rise or fall on the performance of any one brand. Our brand line is more diversified than that of any other company. We have a contender in every important cigarette category."

TOBACCO INTERNATIONAL

Unit cigarette sales at R.J. Reynolds Tobacco International, Inc. will increase five-to-seven percent a year through 1979 and earnings from operations will double by 1980, J. Tylee Wilson, Chairman and Chief Executive Officer, predicted.

The international market available to multinational tobacco companies like R.J. Reynolds totals 1.2 trillion cigarettes a year — twice the U.S. market, Wilson told the analysts.

To better tap this market the company will lessen its dependence on exported U.S. brands (Winston, Camel, Camel Filter) and produce more brands specifically tailored to the tastes of foreign smokers.

The aim of the recently created subsidiary is to "establish entries into every segment of every viable market . . . We intend to be a multi-brand company," he said.

AMINOIL INTERNATIONAL

Aminoil International, Inc. plans to spend $50 million on exploration for oil and gas in 1977 and $70 million a year from 1978 through 1981, Jack B. Sunderland, Chairman and Chief Executive Officer, said.

Aminoil International, Inc. is the parent company of the Aminoil group of companies.

Domestic exploration will be emphasized, though a foreign involvement will be maintained. As usual, risk will be limited through participation in joint ventures, he said.

Overseas explorations will center on areas that have good geological prospects, a stable government and a desirable strategic location.

The U.S. properties of Burmah Oil Company Limited acquired by Aminoil may be worth substantially more than the prepurchase estimate because of conservative survey estimates and recent federal direction on natural gas rates.

SEA-LAND SERVICE

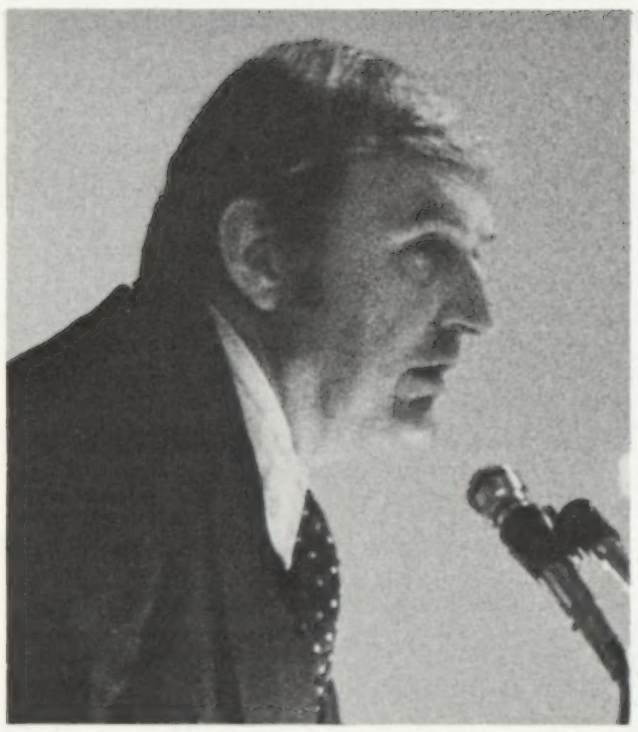
Sea-Land Service, Inc. expects its earnings to exceed previous high levels in the next three-to-four years without any substantial new capital expenditures, Charles I. Hiltzheimer, President, said.

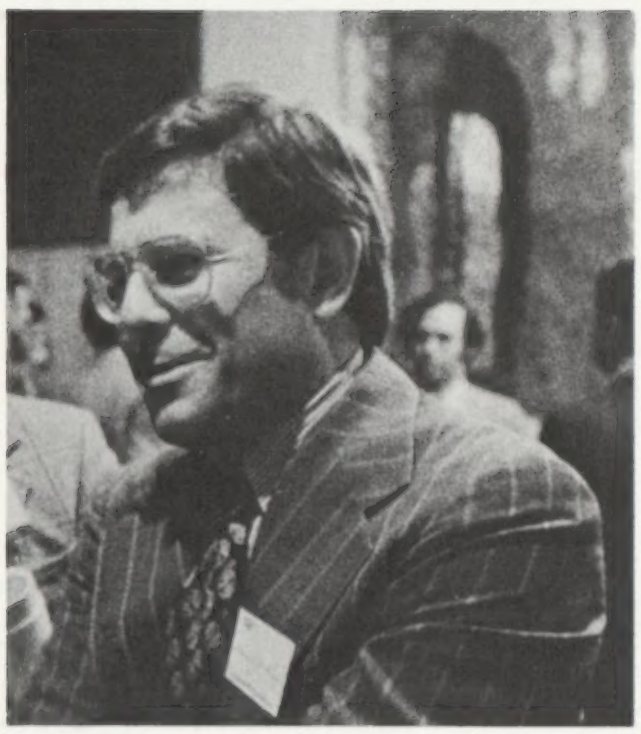
"We expect our earnings to continue to outperform the industry average and to be less volatile and more predictable than they have in the past. Also, we expect our earnings trend to encourage selective new capital investment."

Hiltzheimer noted that Sea-Land revenues have risen from $280 million in 1969, the year the company was acquired by RJR, to $768 million in 1975.

He outlined a program "to gain additional volume."

Sea-Land plans "to hold the





moderate market share we have in the big markets and secure modest market share in new markets to stimulate growth and broaden our business base."

The company will also "shift out of the marginally profitable domestic business into the offshore business." The first phase of this transition will begin in January.

Hiltzheimer said the firm is well-situated to seek new business. With its SL-7 and SL-18 containerships, Sea-Land leads the industry in technology, and 90 percent of its vessel fleet carries an expected life of at least 10 years. Further, Sea-Land has strategically located its facilities at the hubs of major world markets.

In a separate presentation RJR President J. Paul Sticht told the analysts that management believes Sea-Land is capable of a return of $200 million a year in earnings from operations "with steady upward movement."

RJR FOODS

RJR Foods' goal is to double sales and earnings in the next five-to-seven years through expansion of existing products, new products and acquisitions, Chairman and Chief Executive Officer Robert L. Remke told the analysts.

Plans call for the objective to be accomplished through both internal and external growth. The internal strategy will be to increase market share of existing products and to develop new products, primarily in beverages and prepared foods.

Half of the planned sales growth may come through acquisitions. RJR Foods will consider acquiring a company larger than itself, which would either be folded into the company's business or run as a separate subsidiary.

For the first half of 1976, RJR Foods' net sales increased 32 percent over the same period last year, while net earnings rose 13 percent.

A strong contributor was Hawaiian Punch Drink Mix, which was introduced nationally in February. Hawaiian Punch Drink Mix is expected to generate some $50 million in first-year retail sales, making it one of the most successful food products to enter the grocery industry in five years.

RJR ARCHER

Sales of RJR Archer, Inc. rose 60 percent in the 1971-75 period to $145 million from about $89 million, according to James H. Corrigan Jr., President of Archer until he became President of RJR Foods in September.

He described sales growth in terms of dollars and unit volume as "significant" during this period except for the recessionary period of late 1974 and 1975.

"Sales during the first six months of 1976 of $76.9 million indicate a return to the activity levels of the 1972-74 period," Corrigan said.

RJR Archer has four main objectives for the future. The first is to provide existing packaging requirements for RJR subsidiaries and to develop and innovate new packaging concepts.

Other objectives are: To increase market share in flexible packaging and specialty aluminum market categories; to strengthen the company's position as the technology leader in continuous strip casting of aluminum; and to seek growth opportunities in new markets utilizing Archer's existing manufacturing and technology skills.

Tobacco International introduces more new brands

R.J. Reynolds Tobacco International, Inc. is continuing to introduce new brands into international markets.

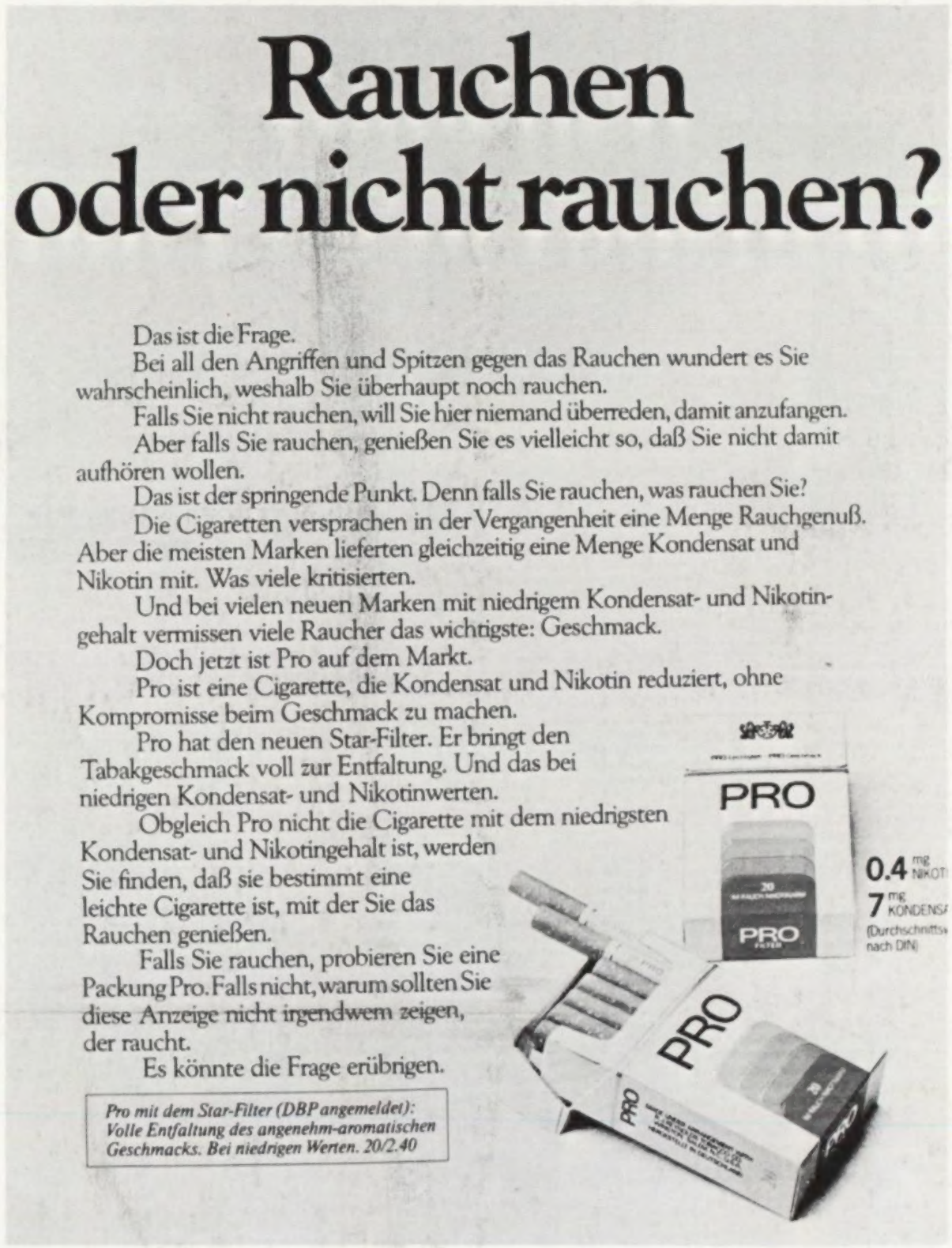
In Germany it has introduced PRO, an 85mm low "tar" (0.7 mg.) and nicotine (0.4 mg.) filter cigarette. The advertising approach is similar to that used for Vantage in the United States and is aimed at the smoker who wants both low "tar" and nicotine numbers and good taste.

Reyno, the most successful menthol cigarette in Germany, has begun offering a line extension called Reyno Extra Light. The 85mm menthol cigarettes come in a crush-proof box.

Inquiries

Communications concerning transfer requirements and lost certificates should be directed to either Transfer Agent: The Chase Manhattan Bank, N.A., 1 New York Plaza, 14th Floor, New York, N.Y. 10015, or First Jersey National Bank, 2 Montgomery St., Jersey City, N.J. 07303.

Communications concerning dividends and change of address should be directed to R.J. Reynolds Industries, Inc., Shareholder Services Dept., Box 2959, Winston-Salem, N.C. 27102.



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